

## Subtitle E—State Insurance Pools

### SEC. 341. EXEMPTION FROM INCOME TAX FOR STATE-SPONSORED ORGANIZATIONS PROVIDING HEALTH COVERAGE FOR HIGH-RISK INDIVIDUALS.

(a) IN GENERAL.—Subsection (c) of section 501 (relating to list of exempt organizations) is amended by adding at the end the following new paragraph:

- "(26) Any membership organization if—
  - "(A) such organization is established by a State exclusively to provide coverage for medical care (as defined in section 213(d)) on a not-for-profit basis to individuals described in subparagraph (B) through—
    - "(i) insurance issued by the organization, or
    - "(ii) a health maintenance organization under an arrangement with the organization.
  - "(B) the only individuals receiving such coverage through the organization are individuals—
    - "(i) who are residents of such State, and
    - "(ii) who, by reason of the existence or history of a medical condition—
      - "(I) are unable to acquire medical care coverage for such condition through insurance or from a health maintenance organization, or
      - "(II) are able to acquire such coverage only at a rate which is substantially in excess of the rate for such coverage through the membership organization.
  - "(C) the composition of the membership in such organization is specified by such State, and
  - "(D) no part of the net earnings of the organization inures to the benefit of any private shareholder or individual."

26 USC 501 note. (b) EFFECTIVE DATE.—The amendment made by this section

shall apply to taxable years beginning after December 31, 1996.

### SEC. 342. EXEMPTION FROM INCOME TAX FOR STATE-SPONSORED WORKMEN'S COMPENSATION REINSURANCE ORGANIZATIONS.

**TIONS.**

(a) IN  
GENER  
AL—

Subse  
ction

(c) of  
sectio  
n 501

(relati  
ng to  
list of  
exemp  
t

organi  
zation  
s), as  
amend  
ed by  
sectio  
n 341,

is  
amend  
ed

by  
addin  
g at

the  
end

the  
followi  
ng

new  
paragr

aph:

"(27)

Any  
memb  
ership  
organi  
zation

if—

"(A) such  
organization  
is  
established  
before June

1.

1996, by a  
State  
exclusively

to  
reimburse  
its members  
for losses  
arising  
under  
workmen  
compensatio  
n acts.

"(B) such  
State  
requires that

the  
membership  
of such  
organization  
consist o

"(i) all  
persons who

issue insurance covering work  
men's compensation losses in such State,  
and

"(ii) all persons and governmental  
entities who

self-insure against such losses. and

"(C) such organization operates as  
a non-profit  
organization by—